

**Supporting Statement for the
Compensation and Salary Surveys
(FR 29a, b, c; OMB No. 7100-0290)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend, with revision, the family of reports that include the Compensation and Salary Surveys (FR 29a, b, c; OMB No. 7100-0290). These surveys collect information on salaries, employee compensation policies, and other employee programs from employers that are considered competitors for Federal Reserve employees. The data from the surveys primarily are used to determine the appropriate salary structure and salary adjustments for Federal Reserve employees.

The Federal Reserve proposes to discontinue the annual Compensation Trend Survey (FR 29c). The international consulting firm of Hay Management Consultants has conducted this survey, on behalf of the Federal Reserve, since 1991. However, since 2001, the Federal Reserve has relied on data published in other national compensation surveys. The Annual Salary Survey (FR 29a) and the ad hoc surveys related to salary and other employment issues (FR 29b), would not be revised.

The estimated annual burden for this family of reports is 1,500 hours and should decrease to 200 hours with the proposed elimination of the FR 29c. Copies of the two annual surveys are attached.

Background and Justification

The Federal Reserve Board implemented a market-sensitive salary structure in 1989, replacing one that paralleled the federal government's salary structure. The Board implemented the new structure based on several factors, including turnover of key employees in important positions (especially economists, attorneys, and financial analysts), difficulty in hiring experienced professionals and top-level graduates, and low employee morale because of actual or perceived noncompetitive pay. The Federal Reserve met with the consulting firm of Coopers and Lybrand to identify key job families, select benchmark jobs, and draw the original panel for a salary survey.

In support of market-sensitive adjustments to the salary structure, the Federal Reserve sponsors an Annual Salary Survey (FR 29a). Between 1989 and 1992, the Federal Reserve conducted the survey, and the 1993 survey was assigned to a consultant. The consulting firm of Watson Wyatt has conducted the survey since 1994. The Federal Reserve uses the survey information as a basis for recommendations to the Board regarding proposed salary range adjustments and merit increases for Federal Reserve Board employees so that salary ranges are competitive with other organizations offering similar jobs. The Federal Reserve also uses (1) published data from consultants such as William M. Mercer, Inc. and Edward Perlin Associates to supplement its information concerning specific job families, (such as information technology

jobs); (2) merit projection surveys conducted by consulting firms such as Hay, Hewitt, and Mercer, and (3) data collected by Reserve Banks and Federal Institutions Reform, Recovery and Enforcement Act (FIRREA) agencies.

In order to fill unanticipated staffing needs and to assist in human resources policy planning, the Federal Reserve Board conducts more limited surveys (FR 29b) on an ad hoc basis. These surveys gather information that is needed between annual salary surveys or information on topics that are not easily incorporated into the annual survey. The surveys have proven to be efficient instruments for the timely collection of such information.

To ensure that compensation of Federal Reserve Bank employees reflects relevant labor markets, the Federal Reserve Board sponsors the annual Compensation Trend Survey (FR 29c). The international consulting firm of Hay Management Consultants has conducted this survey since 1991; prior to 1991 the Federal Reserve Board conducted the survey. The survey data are combined with information purchased from commercial sources, such as Compensation Resources, the American Compensation Association, and William M. Mercer, Inc. The Federal Reserve Board uses these combined data to support the Federal Reserve System's efforts to review and align its salary structures, salary adjustment amounts and practices, and cash award and incentive payments with a diverse group of comparable employers that are primarily within the private sector.

Several human resources consulting firms produce data on salaries and compensation trends; however, these data are less detailed than the information that the Federal Reserve collects. As noted above, this published information is used to supplement the FR 29 data, which focus on jobs comparable to those of Federal Reserve employees.

Description of Information Collection

The Federal Reserve sponsors two annual surveys to aid in the annual adjustment of the salary structure. The Federal Reserve Board conducts other surveys on special topics on an ad hoc basis. These surveys conform to the Federal Reserve System's strict guidelines for compensation that govern the type of information gathered and how the information is gathered and used. The consultants that conduct the annual surveys are selected competitively for two-year (Annual Salary Survey) and three-year (Compensation Trend Survey) contracts.

Annual Salary Survey (FR 29a)

The Annual Salary Survey (FR 29a) requests information in five sections: general information, organization data, salary policies and practices, benefits programs, and salary data. The information includes salary ranges, average salaries paid, merit increases, average work weeks (hours worked), benefit programs, and bonuses. These categories are typical of third-party salary surveys. The survey requests data on fifty-seven benchmark jobs (Federal Reserve jobs comparable to jobs filled by respondents). Of these jobs, forty-four are exempt from the Fair Labor Standards Act overtime requirements, and thirteen are nonexempt. The benchmark jobs cover the work performed in every division at the Federal Reserve Board, by position and

grade level. Each year, Watson Wyatt consults with Federal Reserve Board to update the list of benchmark jobs and the sample of respondents.

Watson Wyatt distributes approximately eighty survey questionnaires to a broad cross section of employers within the New York and Washington, DC corridor. Of the questionnaires distributed, typically twenty to thirty responses are returned and included in the master survey database. Approximately twenty of the respondents to the Annual Salary Survey are also Compensation Trend Survey respondents. All respondents receive a complimentary copy of the completed report.

Ad hoc surveys (FR 29b)

In addition to the annual surveys, the Federal Reserve Board conducts other surveys (FR 29b) during the year as needed to collect information on specific salary and non-salary issues that affect Federal Reserve Board employees. Recent examples of salary topics included salaries paid to employees in economist and attorney positions to aid in recruiting and retention issues. Recent examples of non-salary topics included workforce planning, employee orientation practices, and casual dress in the workplace.

The process of designing and conducting these ad hoc surveys is informal. The Federal Reserve Board draws on its good working relationships with the respondents to the annual salary survey and conducts the ad hoc surveys by phone and facsimile from a subset of those respondents. The Federal Reserve Board cannot anticipate what information will be needed, and the need for the information is usually very time critical. The Federal Reserve Board seeks general approval to conduct the ad hoc surveys as needed and anticipates that it will conduct five ad hoc surveys per year, contacting about ten respondents per survey.

Compensation Trend Survey (FR 29c)

The Compensation Trend Survey (FR 29c) requests information in four sections: organization data; salary trends data; bonus and incentive trends; and long-term incentives, miscellaneous practices and staffing. These categories are typical in third-party surveys of salary trends.

The section on organization asks for background information on sales, assets, and employees for the entire organization as well as any smaller units reported. In addition, participants are asked to identify the type of industry and the primary geographic area of operations. The section on salary trends collects information on the salary structures used within the organization, as well as on the organization's budgets, its salary increase policy, the amount of average increase, and the timing of individual salary adjustments. The section on bonus and incentive trends asks about pay practices (like annual bonuses, cash awards, and profit-sharing plans) at various position levels, from executives to nonunion clerical and production employees. The last section, long-term incentives, miscellaneous practices and staffing, asks respondents to identify the types of long-term incentives available to all employees and benefits and perquisites available to executives.

Each year, the Hay Group distributes approximately 900 survey questionnaires to a broad cross section of employers within three sectors: commercial banking and financial services; services, which includes insurance, lawyers, and government; and other, which includes durable goods and public utilities. The Federal Reserve Board consults annually with Federal Reserve Bank staff to update the list of respondents. On average, twenty-five to thirty questionnaires are distributed in each of thirty-two targeted cities. On average, 650 usable responses are returned to the consultant for inclusion in the master survey database. All respondents receive a complimentary copy of the completed report.

Proposed Discontinuance of the FR 29c

The Federal Reserve Board proposes to discontinue the Compensation Trend Survey (FR 29c). The Hay Compensation Trend Survey was used primarily as the basis for setting the Reserve Bank officer salary structure. This survey also had some residual benefit to the Federal Reserve Board in reviewing Reserve Bank employee salary structure proposals. In 2001, the Federal Reserve Board discontinued using the survey. Since 2001, the Federal Reserve Board has contracted with Mercer Consulting to collect national salary information from published survey sources for more than 20 officer benchmark jobs from published survey sources. In general, the Federal Reserve Board requires that Mercer identify a minimum of three published survey sources for each job.

Time Schedule for Information Collection

The annual salary survey questionnaire, which collects data as of June 1, is distributed in mid-May of each year. The target date for the return of questionnaires to Watson Wyatt is early July; the Federal Reserve Board and Watson Wyatt make follow-up calls to potential participants through mid-July to encourage them to respond. Survey results are verified and compiled during July and August, and the final report is mailed to participants in September.

The Federal Reserve Board conducts ad hoc surveys throughout the year when the need arises. Owing to the informal nature of these surveys, the good working relationships with many of the respondents, the small number of respondents per survey, and the use of phone and facsimile instead of mailing paper questionnaires, the Federal Reserve Board typically needs only a few days to design the survey and collect the responses.

The Compensation Trend Survey questionnaire is distributed in mid-May of each year. The target date for the return of questionnaires to the Hay Group is mid-June; the Federal Reserve Banks and the Hay Group make follow-up calls to potential participants through the end of the third week of June to encourage them to respond. Survey results are verified and compiled during July and early August, and the final report is mailed to participants by the end of August.

Legal Status

The Legal Division has determined that sections 10(4) and 11(1) of the Federal Reserve Act, (12 U.S.C. section 244 and 248(1)), respectively, authorize the Federal Reserve Board to collect salary information and that the information collection is voluntary. These statutory provisions grant the Federal Reserve Board independence to determine its employees' salaries and compensation. Individual respondent data are regarded as confidential under the Freedom of Information Act (FOIA) (5 U.S.C 552 (b)(4) and (b)(6)). Any aggregate reports produced are not subject to FOIA exemptions.

Estimate of Respondent Burden

The current combined annual respondent burden is estimated to be 1,500 hours and would decrease by approximately 1,300 hours to 200, as shown in the table below. The decrease would be attributed to the proposed discontinuance of the Compensation Trend survey (FR 29c). Since the surveys are voluntary, it is not possible to predict exactly how many surveys will be returned in a given year. The estimated number of respondents is based on recent response rates. In recent years the Federal Reserve Board has conducted, on average, five ad hoc surveys with an average of ten respondents per survey. The total burden for the FR 29 represents less than 1 percent of total Federal Reserve System annual burden.

Surveys	<i>Estimated number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
FR 29a Annual Salary	25	1	6	150
FR 29b Ad hoc	10	5	1	50
FR 29c Compensation Trend	<u>650</u>	1	2	<u>1,300</u>
<i>Current Total</i>	685			1,500
<i>Proposed</i>				
FR 29a Annual Salary	25	1	6	150
FR 29b Ad hoc	<u>10</u>	5	1	<u>50</u>
<i>Proposed Total</i>	35			200
<i>Change</i>	-650			-1,300

Based on an hourly cost of \$20, the estimated annual reporting cost to the public for the FR 29 would decrease from \$30,000 to \$4,000.

Estimate of Cost to the Federal Reserve System

The total annual cost to the Federal Reserve System for the surveys is estimated to be \$50,000 for the Annual Salary Survey, \$3,000 for the ad hoc surveys, and \$68,000 for the Compensation Trend Survey. Under the proposed revisions, the total estimated costs will decrease to \$53,000 per year.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Consultation Outside the Agency

The Federal Reserve and Watson Wyatt work together to review and make minor changes to the Annual Salary Survey instrument.